

IMPLEMENTATION OF GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

Government Code Section 13306 requires the State to conform its financial management system to Generally Accepted Accounting Principles (GAAP) to the extent that the Department of Finance deems it to be in the best interest of the State.

GAAP represents uniform minimum standards and guidelines for financial accounting and reporting. The goal of GAAP is to standardize the accounting and financial reporting of organizations regardless of jurisdictional legal provisions and customs. The purpose of "Governmental GAAP" is to provide a uniform set of rules so the presentation of governmental financial reports for taxpayers, bond rating companies, legislators, and other readers are consistent from year to year, as well as comparable between governmental entities.

The State's fiscal system is highly complex with many interrelationships between budgeting and accounting. Consequently, some of the changes in accounting that are necessary to conform to GAAP impact the budget system and/or the Governor's Budget presentations. These interrelationships will result in the GAAP changes being accomplished over a number of years.

The following two charts illustrate the effect of conversion to GAAP fund classifications:

Schedule 3A shows the "Total State Spending Plan" data shown in Schedule 2 rearranged into the GAAP classifications.

Schedule 3B uses 1999-00 Governor's Budget totals to show California's current fund structure compared to GAAP classifications.

SCHEDULE 3A TOTAL STATE SPENDING PLAN BY GAAP FUND CLASSIFICATION (In Thousands)				
GAAP Fund Structure	1997-98	1998-99	1999-00	
<i>Governmental Funds</i>				
General Funds	52,874,377	58,270,649	60,474,709	
Special Revenue Funds.....	34,384,092	39,801,443	41,971,142	
Capital Project Funds.....	1,341,258	800,516	608,435	
Total Governmental Funds	\$88,599,727	\$98,872,608	\$103,054,286	
<i>Proprietary Funds</i>				
Enterprise Funds	\$2,959,531	\$3,300,039	\$3,554,222	
Internal Service Funds	770,448	767,035	824,397	
Total Proprietary Funds	\$3,729,979	\$4,067,074	\$4,378,619	
<i>Fiduciary Funds</i>				
Retirement Funds	\$7,950,282	\$8,658,368	\$9,436,280	
Trust and Agency Funds--Other	9,264,633	13,142,428	9,702,910	
Trust and Agency Funds--Federal	3,493,236	3,358,253	3,100,599	
Total Fiduciary Funds	\$20,708,151	\$25,159,049	\$22,239,789	
<i>Funds Outside State Treasury</i>				
Other.....	\$22,205,021	\$22,134,834	\$23,239,519	
Total Funds Outside State Treasury	\$22,205,021	\$22,134,834	\$23,239,519	
TOTAL SPENDING, ALL FUNDS	\$135,242,878	\$150,233,565	\$152,912,213	

SCHEDULE 3B
COMPARISON OF CALIFORNIA
FUND STRUCTURE AND RECOMMENDED GAAP FUND STRUCTURE
USING 1999-00 BUDGET TOTALS
(In Thousands)

FUND STRUCTURE BASED ON GAAP CLASSIFICATIONS										
CURRENT FUND STRUCTURE	Governmental Funds				Proprietary Funds		Fiduciary Funds		Funds Outside State Treasury	Totals
	General Fund	Special Revenue Funds	Capital Project Funds	Total Governmental Funds	Enterprise Funds	Internal Service Funds	Retirement Funds	Trust and Agency Funds		
Governmental Cost Funds										
General Funds.....	60,474,709	-	-	60,474,709	-	-	-	-	-	60,474,709
General Fund Special Accounts	-	1,057,341	-	1,057,341	58,507	20,699	-	13,261	-	1,149,808
Transportation Funds.....	-	4,715,887	-	4,715,887	-	-	-	3,539,596	-	8,255,483
Feeder Funds.....	-	-	-	-	-	-	-	32,144	-	32,144
Other Governmental Cost Funds	-	6,294,172	2,017	6,296,189	-	-	-	7,702	-	6,303,891
Total Governmental Cost Funds.....	\$60,474,709	\$12,067,400	\$2,017	\$72,544,126	\$58,507	\$20,699	-	\$3,592,703	-	\$76,216,035
Selected Bond Funds.....	-	\$112,839	\$573,645	\$686,484	-	-	-	\$608,441	\$162	\$1,295,087
Total Governmental Cost Funds and Selected										
Bond Funds.....	\$60,474,709	\$12,180,239	\$575,662	\$73,230,610	\$58,507	\$20,699	-	\$4,201,144	\$162	\$77,511,122
Nongovernmental Cost Funds										
Public Service Enterprise Funds.....	-	-	2,720	2,720	2,977,983	-	-	1,910,959	-	4,891,662
Working Capital and Revolving Funds.....	-	17,131	29,728	46,859	470,762	803,698	-	-4,013	-	1,317,306
Bond Funds--Other.....	-	-	-	-	-	-	-	32,954	-	32,954
Trust and Agency Funds:										
Retirement Funds.....	-	-	-	-	-	-	9,436,280	451	-	9,436,731
Trust and Agency Funds--Federal	-	28,848,364	-	28,848,364	-	-	-	3,100,599	5,030,013	36,978,976
Trust and Agency Funds--Other	-	925,408	325	925,733	46,970	-	-	3,561,415	-	4,534,118
Other Nongovernmental Cost Funds.....	-	-	-	-	-	-	-	-	18,209,344	18,209,344
Total Nongovernmental Cost Funds	-	\$29,790,903	\$32,773	\$29,823,676	\$3,495,715	\$803,698	\$9,436,280	\$8,602,365	\$23,239,357	\$75,401,091
TOTAL SPENDING, ALL FUNDS	\$60,474,709	\$41,971,142	\$608,435	\$103,054,286	\$3,554,222	\$824,397	\$9,436,280	\$12,803,509	\$23,239,519	\$152,912,213